



TOWN OF SAUGUS

Office of the Town Manager
298 CENTRAL STREET
SAUGUS, MASSACHUSETTS 01906

ANDREW R. BISIGNANI
Town Manager

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February 26, 2010

David Morales, Commissioner
Executive Office of Health and Human Services
Division of Health Care Finance and Policy
2 Boylston Street
Boston, MA 02116

Dear Mr. Morales:

In response to your letter of February 12, 2010 concerning health care provider costs, insurer costs, and cost trends, please find the enclosed response to your survey questions. If you have any questions please do not hesitate to contact my office.

Yours Very Truly,

Andrew Bisignani
Town Manager

Enclosure



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Executive Office of Health and Human Services
Re: Exhibit B / Questions for Written Testimony

1.) Our experience has not differed from the findings outlined in the reports on the Division of Health Care Finance and Policy's webpage.

2.) The Town of Saugus, prior to joining with Massachusetts' Group Insurance Commission (GIC) in 2008, was self-funded and relied heavily on third parties to administer several health care insurance options. In the years leading up to the decision to join with GIC, the Town's health care costs continued to rise until the option of remaining self-funded became financially impractical. In 2007 the annual cost for health care-related expenses totaled \$8.9 million, a substantial jump from 2004's total of \$5.2 million. This increase was attributed to several serious health conditions (of both subscribers and dependents), combined with the state-wide trend of rising health care costs.

In 2007 the Town proactively pursued avenues to stem the increase in health care costs by lobbying for an amendment to then-pending legislation which would allow Saugus to join with GIC in January 2008 – 6 months ahead of other Massachusetts municipalities. With the passage of the Massachusetts Municipal Partnership Act in 2007, Saugus became the first community to voluntarily join with GIC. The Town entered into a six (6) year contract, thus eliminating the guesswork in predicting health care costs which were directly proportionate with the overall health (or lack thereof) of subscribers and their dependents. In the first full year after joining GIC the Town realized an estimated \$2.2 million in savings.

Factors that affected the Town's strategy to enroll with GIC concerned the consent required by the various labor unions to 'allow' the Town to negotiate with GIC. Essentially this stipulation allowed the larger unions to hold the Town at bay until agreements were hammered out regarding salary increases and contract negotiations. Smaller unions, although supporting the Town's goal of lowering health care costs, lacked leverage thus were not afforded the same opportunity.

Although the above-mentioned contractual increases impinged slightly on the final savings, the move to join with GIC has been hailed by officials, employees and residents alike as the single most financially prudent decision made by the current administration.

3.) No comments to add

4.) No comments to add

5.) Additional comments and observations:

GIC has implemented several cost saving strategies since our partnership began in January 2008. The concept of 'tiering' with respect to physicians, pharmaceuticals and medical facilities has helped to educate our employees on cost effectiveness and the importance of not only curtailing the overall cost of health care, but how one individual can have an impact on his or her own out-of-pocket expenses. From choosing generic over brand name drugs to choosing a hospital based on the tiering system – employees have more control over their copayments and ultimately on their overall health care cost. It seems logical to offer choices which allow costs to be more transparent to consumers, and in turn ask those members who choose the less cost effective route to bear part of the increased cost for a particular treatment or drug. As a direct result of the choices GIC has created, employees must take greater responsibility for their own health care expenses.

In recent months, in an effort to reduce their \$35 million deficit, GIC has implemented calendar year deductibles. Although the rationale behind the move remains the same – attempting to offset the skyrocketing cost of health care in Massachusetts – the mid-year timing has been an issue. Nevertheless, the consensus remains that GIC has had a major impact on lowering the cost of health care – both for the Town and the employees.